

South Australian Retail Energy Price Deregulation

December 2012

On Tuesday 19 December 2012, South Australian Premier Jay Weatherill and Minister for Mineral Resources and Energy Tom Koutsantonis announced the full deregulation of the South Australian energy market.

The deregulation involves changing the role of the Essential Services Commission of South Australia (ESCOSA) from an independent price setter for standing contracts to a price monitor to guard against any anticompetitive behavior by retailers. From 1 February 2012, a market-based system for determining electricity and gas prices will be introduced, underpinned by stronger consumer protection and improved hardship provisions as set out in the National Energy Customer Framework.

The Premier's press release is available [here](#).

Agreement with Energy Retailers

The deregulation is part of an agreement with key South Australian energy retailers AGL and Origin Energy. The Government agreed to fully deregulate the energy retail market in return for cuts to standing contract prices fixed for two years.

The agreement with AGL will see price reductions for existing standing contract customers of 9.1 per cent for households and 4.5 per cent for small businesses from 1 January 2013. AGL's press release is available [here](#).

The agreement with Origin Energy will see a reduction to current gas standing contracts by one per cent from 1 February 2013. Origin Energy's press release is available [here](#).

Background

In October 2012, ESCOSA made a Special Circumstances Determination and a Draft Price Determination that would have resulted in an 8.1 per cent price reduction for electricity standing contract customers, as part of its Wholesale Electricity Cost (WEC) review. AGL then launched a Supreme Court challenge which sought to prevent the ESCOSA making a Final Price Determination.

Following the deregulation announcement, AGL suspended its court action subject to the introduction of full deregulation from February 1, and ESCOSA has suspended the WEC review.

Australia Wide Energy Deregulation Efforts

The deregulation of the South Australian energy market follows the discussion of Australia-wide energy market reform at the 34th meeting of the Council of Australian Governments (COAG) in Canberra on 7



December 2012. More information about COAG's energy market reform efforts is in Hawker Britton's Occasional Paper, available [here](#).

It also follows the release of the 2012 Energy White Paper, titled Australia's Energy Transformation. Hawker Britton's Occasional Paper on the Energy White Paper is available [here](#).